

M/021/008

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MINERALS PROGRAM
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Norman H. Bangerter

Governor

Dee C. Hansen

Executive Director

Dianne R. Nielson, Ph.D.

Division Director

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

February 22, 1991

Mr. Roy Benson
BM&T - Geneva Steel
Division Manager
c/o Keigley Quarry
Box 20-B, RFD #1
Santaquin, Utah 84655

Dear Mr. Benson:

Re: Permitting Issues/Concerns, Iron Mountain Mine and Comstock Mine Properties, M/021/008 and M/021/005, Iron County, Utah

This letter is intended as a follow-up and summary regarding our meeting on February 20, 1991. During the meeting we discussed the outstanding permitting issues associated with Geneva's Iron County properties.

During the course of the meeting we talked about specific acreages of disturbance associated with the Iron Mountain, CF&I properties, and UII properties. Some of these properties have been permitted by Geneva, some have not. We also discussed the existing and nonexisting reclamation sureties associated with each specific disturbed area.

We provided information (Table 1) for you, at the meeting, summarizing the acreages and sureties in tabular form. We have revised Table 1 and attached a copy to this letter pursuant to our discussions during the meeting. The table has new figures in the Acreage and Escalated Surety columns. The new figures in the Escalated Surety column are all escalated to 1992 dollars. We have also attached information (see attachment #1, Surety Estimate Update), which shows how we derived the values found in Table 1, under Escalated Surety. Attachment #1 shows how we derived the \$914,300 figure for the Comstock Area. Also, we have included information in Table 1 concerning Keigley Quarry, which you requested. Keigley Quarry has nothing to do with the current concerns at the Iron Mountain properties.

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The Division is requesting that Geneva supply an interim surety to cover the pertinent disturbances at the Iron Mountain/Comstock sites. The surety would be held until a permanent plan and surety can be developed for all of Geneva Steel's Iron Mountain properties (estimated 12 months from this date). The interim surety figure should be based on the calculations found under the Escalated Surety in Table 1. The total escalated surety is \$1,136,400. Unless the disturbed acreage figures require revision or Geneva finds fault with our calculations, this is the surety amount we will require at this time.

During our meeting, your legal counsel, Mr. Clay Parr, indicated that Geneva's desire was to propose a self bonding contract as the form of interim surety. Geneva would also propose this form for the permanent surety. The Division does not favor a self bonding contract as an acceptable form of an interim surety. However, Geneva may present such a proposal to the Board of Oil, Gas and Mining. We agreed that the Board would be approached on the matter during the executive session of the March 28, 1991 Board Hearing. This will require that Geneva provide all the required information, for the self bonding proposal by March 7, 1991. Hopefully, an interim surety can be in place by the April 25, 1991 hearing.

Also discussed during the February 20th meeting, were different scenarios for permitting the various Iron Mountain mine disturbances. Geneva may want to split the mine areas into two or three permits or consolidate everything into one umbrella permit. You may want to permit areas which will be reclaimed in the near future separately from areas that will be used for several more years. However, if you are approved to self bond, it would be easier to cover everything with one bond and permit.

As part of the interim permitting agreement, we will ask that Geneva formalize a conceptualized time table for completing the permanent permit(s) for these sites. Such a proposal should be part of the information supplied to the Board of Oil, Gas and Mining on March 28th.

The Division is very anxious to resolve the outstanding permitting issues at the Iron Mountain mine sites. We ask that Geneva expeditiously address the interim requests and, most importantly, the long term permanent permitting requirements.

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Mr. Roy Benson
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Thank you for your cooperation and attention to these concerns. Contact me, or any of the minerals technical staff should you have questions.

Sincerely,



Lowell P. Braxton
Associate Director, Mining

jb
Attachment
cc: Joseph Blais, CF&I Steel Corp.
York Jones, Utah International
Clayton Parr, Kimball, Parr & Waddoups
Minerals staff, DOGM
M021008.5

Table 1

(last revised) - February 22, 1991

Mine Properties Under the Control
of
Geneva Steel

Name and Permit Number	Acreage	Permitted	Permit Operator	Surety Amount	Date Approved	Escalated Surety **	Cost if \$3,000/ac***
I. Iron Mountain Mine - M/021/008							
1. Iron Mountain	12	yes	Geneva	\$81,000	3/89	\$74,500	\$36,000
2. Blackhawk Fines Area	27	yes	Geneva	included in above	3/89	included in above	\$81,000
3. Mountain Lion	53	yes	Geneva	Same as above	3/89	Same as above	\$159,000
4. Burke Pit	1.5	* no	Geneva	n/a	n/a	\$4,600	\$4,500
5. Cheaspeake/Excelsior	8	* SMO only	Geneva	n/a	n/a	\$24,300	\$24,000
6. Tip Top	3	* no	Geneva	n/a	n/a	\$9,100	\$9,000
II. Comstock Mine - M/021/005							
1. UII Area	36	yes	* UII	\$217,421	5/80	\$109,600	\$108,000
2. Comstock Area	265 @ (253)	yes	* CF&I	\$588,951	4/80	\$914,300	\$795,000 (\$759,000)
Totals	405.5 (393.5)			\$887,372		\$1,136,400	\$1,216,500 (\$1,180,500)
III. Keigley Quarry - M/021/001 ****							
	400			\$505,000	3/89		

* Indicates problem with the permit/non-compliance

** These sureties have been escalated to 1992 dollars

*** Indicates a program average for reclamation costs within the state of Utah

**** This site is being evaluated seperately from the other Geneva properties listed above

@ Geneva indicates this permit may include 12 acres which are also bonded under the Iron Mtn. permit (265 - 12 = 253)

jb

M021008

SURETY ESTIMATE UPDATE

BM&T Geneva Steel, Inc.
Iron Mountain Mines

Prepared by Utah Division of Oil, Gas & Mining February 20, 1991

DESCRIPTION:

- Estimate shows existing Comstock Mine surety escalated through the year 1992
- Existing surety = $\$588,951 \times 10\% + \$588,951 = \$647,846$
- Escalation factors through 1990 are actual Means Historical Cost Indices

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
$F = P(1 + i)^{**n}$	1977	0.0870	0
	1978	0.0710	\$0
F = Future Sum	1979	0.0860	\$0
P = Present Sum	1980	0.0860	\$647,846
i = Escalation Factor	1981	0.0991	\$712,048
n = number of periods	1982	0.0940	\$778,980
	1983	0.0104	\$787,081
	1984	0.0092	\$794,323
	1985	0.0290	\$817,358
	1986	0.0210	\$834,522
	1987	0.0195	\$850,796
	1988	0.0181	\$866,195
	1989	0.0177	\$881,527
	1990	0.0077	\$888,314
Three Yr Average = 1.45%	1991	0.0145	\$901,195
Used to Project 5 Yrs	1992	0.0145	\$914,262

Updated Surety Amount Rounded (1992 \$)

\$914,300



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Date: MARCH 7, 1991

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TO: CLAYTON J. PARR
KIMBALL, PARR, WADDOUPS, BROWN & GEE

Phone: (Fax) 532-7750

FROM: D. WAYNE HEDBERG

Minerals Reclamation and Development Program

Phone: (801) 538-5340

DOG M Fax #: (801) 359-3950

SUBJECT: GENEVA STEEL INTERIM SURETY AGREEMENT
REVISED SELF-BONDING & INDEMNITY AGREEMENT.

REMARKS: FAXING LATEST SELF BOND AGREEMENT. TO YOU
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